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UNITED STATES DEPARTMENT OF AGRICULTURE  
Production and Marketing Administration

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~~Confidential~~

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REVISED ESTIMATES OF PRODUCTION OF DAIRY PRODUCTS

CALENDAR YEAR 1946 AND FISCAL YEAR 1946-47

General Statement. Since the time of the joint meeting (8/16/46) of the Dairy Supply Estimates Committee and the Dairy Goals Committee, the Price Decontrol Board (8/20/46) removed from price control dairy products for feed and food, wheat, rye, corn, oats, mixed feed oats, barley, and grain sorghums, and any livestock or poultry feed made entirely from any one or more of the whole grains. Ceilings were restored, however, on livestock, soybeans, cotton-seed products, flaxseed and by-product grain feeds.

On the basis of these determinations it seems likely that <sup>producer</sup> returns for dairy products, which are now only slightly below ceilings plus proposed subsidy rates, will continue favorable for dairying relative to feedstuffs and to competing livestock products. However, while there will be some further substitution of grains for high protein concentrates, there is some question whether farmers would be justified in a rate of feeding per milk cow significantly greater than the heavy rate established last fall and winter. There is also some uncertainty as to further determinations with respect to ceilings on dairy products and livestock, to price relationships among dairy products if ceilings are restored, and to effective Governmental policy with respect to subsidies and dairy-producer incomes.

In view of these uncertainties as well as the lack of adequate measures of current consumption of such important items as fluid milk and cream, all estimates would be considered tentative and subject to reconsideration within the next two or three months.

The following assumptions and estimates are those as agreed on at the joint committee meeting on August 16:

ASSUMPTIONS

1. Prices for dairy products, livestock, feed grains and returns to dairy producers.

No specific assumptions are made with respect to prices of dairy products nor to the general level of dairy producer returns in the current fiscal year. However, it appears reasonably likely that the general pattern of dairy product prices during most of the fiscal year may not be greatly changed from the general relationship among dairy products that existed in July 1946.

While no assumptions are made with respect to an assured level of dairy returns, it seems reasonable to assume that the removal of all price ceilings would adversely affect returns from dairy products relative to returns from cattle, hogs and possibly from some other kinds of farm enterprise.

2. Demand for dairy products.

A gradual increase in effective civilian demand for dairy products is assumed for most of 1946-47. It is expected that total U.S. income payments will be at a greater rate than at any time since September 1945, and that such payments will increase substantially during the coming fall and winter. This assumption is supported by the recent resumption of full scale production of iron and steel and an expected further increase for several months in the production of durable goods. 1/ However, it seems likely that a relatively greater portion of civilian income will be spent in the purchase of durable and semi-durable goods than has been the case during the past 8 to 10 months.

Non-civilian demand for dairy products in 1946-47 is assumed to be less than in 1945-46 with a decrease in expenditures of lend-lease, UNRRA and

military funds being only partially offset by increased foreign government and commercial export demand. However, since the January 1, 1947 stocks of dairy products in the hands of Government agencies probably will be much smaller than corresponding stocks at the beginning of 1946, Government purchases from market channels during the first half of 1947 may exceed such purchases during the first half of 1946, if foreign demands are met in large part.

The approval of \$3,750,000<sup>1/</sup> loans to Great Britain should strengthen the export demand for evaporated and condensed milk, cheese and dried milks.

### 3. Feed and Pastures.

It is assumed that production of corn, oats, barley, grain sorghums, oil seeds and other feedstuffs and hay will be at least as great as that indicated in the Crop Production reports of July 1 and July 15.

Dairy pasture conditions for the balance of the fiscal year (beginning in August) are assumed to be about average, or less favorable than in 1945-46. Winter weather conditions are assumed to be about average.

### 4. War Food Orders.

While the effect of the set-aside orders for cheese, nonfat dry milk solids and the carry over effects of the evaporated milk and butter set-asides have been considered in developing the estimates, it has been assumed that no such orders will be in effect after July 1946. It is further assumed that no further limitation orders on dairy products will be issued.

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1/ See Demand and Price Situation, July 1946, issued by B.A.E. July 22, 1946.

